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GENERAL

ARMY, NAVY, DOS, DIA reviews completed

1. Reported Satellite views on recognition of Markos government--

The British Minister in Sofia has informed US Minister Heath of a recent conversation with Bulgarian Deputy Foreign Minister Ganovsky. When asked whether Bulgaria was prepared to resume full diplomatic relations with the Greek Government, Ganovsky replied that: (a) he hoped developments in Greece would reach a decisive phase which would result in Bulgaria's recognizing one government or the other; and (b) because of the current confused situation, the Bulgarian Government felt that there was no hurry about making a decision.

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US Charge Rankin reports from Athens that, according to French Embassy Belgrade, Yugoslav Deputy Foreign Minister Bebler's attitude concerning recognition of the Markos government has been greatly modified following US Ambassador Cannon's representations [redacted]. The French Embassy asked Bebler whether Yugoslavia, if it decided to recognize the Markos government, would recognize it as the government of all Greece or of only that part under Markos' control. Bebler allegedly replied, "Probably the latter."

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US Ambassador Caffery transmits reports that representatives of Satellite states in Paris are now saying that owing to "the vigor with which the US responded to the establishment of the Markos government," Satellite recognition of the government will probably be postponed for some time, at least until the situation is further clarified.

2. Czechoslovak-Bulgarian mutual aid pact considered--US Military Attache Prague reports that the Czechoslovak Cabinet will consider on 6 or 7 January a proposed political and military treaty with Bulgaria which contains provisions similar to those in the recent Yugoslav-Bulgarian pact.

(CIA Comment: Previous mutual assistance pacts signed by Czechoslovakia with the USSR, Poland, and Yugoslavia are directed only against Germany and its allies, but the Yugoslav-Bulgarian pact

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is directed against all aggressors. The present Czech-Bulgarian negotiations therefore reflect the desire of the USSR to broaden the scope of the military pacts among its Satellites.)

### EUROPE

3. AUSTRIA: Rumors current of Austrian treaty soon --US Minister Erhardt interprets current rumors in Vienna of a possible early conclusion of an Austrian treaty to be Soviet propaganda designed to make the Austrians more amenable to Soviet pressure. Austrian Foreign Minister Gruber has expressed to Erhardt the view that the USSR, in order to show progress on one international issue with a minimum sacrifice of Soviet objectives, may come to terms on the Austrian treaty. Gruber admits that the USSR would probably defer ratification of the treaty but he would prefer such a suspended agreement or even a breakdown of CFM negotiations to the present situation. Erhardt concurs in Gruber's conclusion that it will be possible for the Austrian Government to offer consistent and forthright resistance to the USSR only when the treaty is signed or definitely laid aside.

(CIA Comment: The USSR is unlikely to make concessions which will seriously prejudice its ability to force Austria into the Satellite orbit. If the CFM deputies are unable to agree on an Austrian treaty, the USSR will probably seek to reopen bilateral negotiations with the Austrian Government.)

4. ITALY: Renewed Communist activity predicted --US Military Attache Rome reports that: (a) there is no positive indication that the Communists have cancelled their program of violent activity in Italy; (b) a strong campaign of strikes and violence is anticipated about the beginning of February; (c) a Communist insurrectionary attempt is possible, perhaps without any preliminary general strike; (d) Communist maneuvers have demonstrated a capacity for swift transportation and good discipline; and (e) the Government appears capable of defeating any revolution not reinforced by the USSR or its puppet governments.

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**NEAR EAST-AFRICA**

5. **EGYPT: US military air rights to be extended six months**--US Ambassador Tuck reports that the Egyptian Government has consented to renew for six months (beginning 15 December 1947) transit and landing rights for US military aircraft. The Egyptian Foreign Office informed Tuck that the agreement, which limits the US to 100 flights during the period, should be considered "entirely exceptional" and that it would be impossible to grant any further extension. (This decision supersedes the Government's recent declaration that these rights would expire on 15 January 1948--
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6. **IRAQ: Military preparations for Palestine operations**--An Iraqi official assigned to Iraq's Palestine defense organization has informed US Charge Dorsz in Baghdad that: (a) Iraq has sent 290 "commandos" to Syria as a training cadre for non-Iraqi Arab volunteers and has 2,500 more trained men and 80 trucks ready for departure; (b) Iraqi applications for Palestine service total more than 27,000; (c) the fund-raising campaign has received strong private support and substantial assistance from the Government; and (d) all volunteers are being paid.

**FAR EAST**

7. **INDONESIA: Netherlands believed by-passing GOC**--US naval authorities on board USS RENVILLE at Batavia report that negotiations between the Netherlands and the Indonesian Republic under the auspices of the UN Good Offices Committee are nearing a crisis. US observers indicate that the Netherlands Government is by-passing the GOC and is holding conferences elsewhere on the question of organizing states in the territory involved in the Dutch-Republic dispute.

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8. **CHINA: Sensitivity about possible conditions attached to US aid--**  
US Ambassador Stuart reports that Yu Ta-wei, member of the Chinese Technical Mission soon to arrive in Washington, appeared in a recent conversation to be in complete ignorance concerning the scope of the mission, pretending even to be unaware of the Chinese request for US aid in effecting internal reform. The Ambassador adds that Yu "hit the ceiling" when it was suggested that he might be called upon to agree to the opening of Hankow and Nan-king to foreign shipping.

(CIA Comment: The National Government hitherto has given assurances that China is prepared to accept some foreign supervision over an aid program. However, the attitude of Yu indicates that the Government's concern over popular sensitivity on matters related to sovereignty may prove a major obstacle in forthcoming negotiations.)

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